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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)
)
Price Cap Performance Review)
for Local Exchange Carriers;)
Treatment of Video Dialtone Services)
Under Price Cap Regulation)

CC Docket No. 94-1

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BELL ATLANTIC¹ COMMENTS

As demonstrated in prior comments in this proceeding, video dialtone is a competitive service that should not be subject to price regulation. So long as it nevertheless remains subject to price caps, however, the decision to create a new price cap basket for video dialtone service² does not necessitate major changes in existing rules for apportioning costs. Instead, only minor modifications are needed to establish definitions and to direct the appropriate costs to the newly created basket. Indeed, much of the identification of video dialtone costs is already accomplished through the separations process and is not affected by the creation of a new Part 69 category. Similarly, implementation of the proposed threshold for sharing and low end adjustment calculations

¹ The Bell Atlantic telephone companies ("Bell Atlantic") are Bell Atlantic-Delaware, Inc.; Bell Atlantic-Maryland, Inc.; Bell Atlantic-New Jersey, Inc.; Bell Atlantic-Pennsylvania, Inc.; Bell Atlantic-Virginia, Inc.; Bell Atlantic-Washington, D.C., Inc.; and Bell Atlantic-West Virginia, Inc.

² Second Report and Order and Third Further Notice of Proposed Rulemaking (rel. Sept. 21, 1995) ("Third Notice"). For the purpose of these comments, Bell Atlantic assumes that the ongoing rules will reflect the decisions in the Second Report and Order. Bell Atlantic reserves the right to challenge that order in the appropriate forum.

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can readily be based on information generated by existing cost allocation rules and need not rely on new data collection, such as mandated in Responsible Accounting Officer Letter 25 ("RAO 25").³

I. Part 36 Rules Already Accommodate Identification of Video Dialtone Costs.

In the Video Dialtone Reconsideration Order, the Commission rejected requests for video dialtone-specific accounting, cost allocation and separations rule changes for video dialtone service.⁴ Rather, the Commission endorsed application of the existing rules to video dialtone service, with the caveat that the Commission would evaluate the impact of video dialtone service over time and consider future modifications in the context of an overall rule change.⁵

As the Commission understood, existing part 36 rules already allow for appropriate allocation between interstate and intrastate video dialtone costs. To the extent these costs are identified in the Part 36 separations process, there is no need to make wholesale changes to Part 69 in order to allocate this investment and associated costs into a new Part 69 category for video dialtone service.

The Commission's rules allow for the direct assignment of wideband and exchange trunk cable and wire facilities ("C&WF") as well as associated circuit equipment -- the

³ For a description of the problems created by the requirements of RAO 25, *see Accounting and Reporting Requirements for Video Dialtone Service, RAO Letter 25*, DA 95-703, Bell Atlantic Application for Review (filed May 3, 1995) and Reply Comments of Bell Atlantic (filed June 9, 1995).

⁴ *Telephone Company-Cable Television Cross-Ownership Rules, Sections 63.54-63.58*, 10 FCC Rcd 244, ¶ 169 (1994) ("Video Dialtone Reconsideration Order").

⁵ Video Dialtone Reconsideration Order, ¶¶ 169, 189.

core video dialtone investments.⁶ To facilitate that direct assignment, the Part 36 rules recognize that variations among “the character of the facilities and operating conditions” mean that different methods may be appropriate for companies with different circumstances.⁷ This allows companies that use more than one technology to categorize shared plant using methodologies that are appropriate for each technology. As recognized in the proposed rulemaking, the total amount of video dialtone plant identified for each company will thereby reflect an appropriate weighting of all the technologies used.⁸

II. Part 69 Requires Only Minor Changes to Accommodate Assignment of Costs to a Video Dialtone Basket.

Changes to accommodate the creation of a video dialtone cost basket are limited and straightforward. Part 69 already establishes a fully distributed cost scheme. Because C&WF and circuit equipment associated with video dialtone are already identified and directly assigned through Part 36, those costs can be directly assigned to a video dialtone

⁶ See 47 C.F.R. §§ 36.151(c), 36.121(c), 36.126(c)(1) and 36.126(c)(2).

⁷ 47 C.F.R. § 36.151 (c). This type of categorization is no different than what is done under the rules for non-video investment. For example, non-video circuit equipment that is used across multiple categories is directly assigned to those categories based on a proportional analysis of engineering and service provisioning records. See 47 C.F.R. § 121(c).

⁸ See Third Notice, ¶ 41. This categorization process is also generally consistent with the method used to identify shared plant in Bell Atlantic’s tariff for commercial video dialtone service in Dover Township, New Jersey. *Id.* While these methodologies are generally consistent, there remain important differences between the projection of costs for a new service tariff and the allocation of costs through the Commission’s cost allocation rules. New service tariffs rely on cost studies to *project* the costs of operating the service in a mature market. In contrast, cost allocation methodologies distribute *actual* costs incurred on an historic basis. Because the purpose and effect of these cost allocations are different, the Commission should resist adopting processes that attempt to exactly mirror the requirements for setting video dialtone rates, and the requirements for the allocation of actual video dialtone costs.

basket without further changes to the allocation scheme.⁹ The remaining video dialtone costs can be allocated through the same mechanisms that are in place to allocate costs to other baskets. The appendix to this brief contains proposed changes to Part 69 that allow for a definition of video dialtone charges and allocation of costs to a video dialtone basket.

Consistent with existing rules, these proposed modifications do not rely on a fixed allocator. Video dialtone is a nascent service with no established market or technology. To put one in place today would, depending on the allocator, over or under allocate costs to the varying platforms and services offerings that are under the video dialtone umbrella. In doing so, it could bias company decisions for or against various technology alternatives and thereby undermine the Commission's goal of remaining technology-neutral with respect to video dialtone service providers.¹⁰

III. Threshold Changes Should Rely on Allocated Costs

The Commission's proposal to remove costs from sharing calculations only after a minimum cost threshold is a pragmatic suggestion.¹¹ RAO 25 data is not necessary to the calculation of such a threshold however. Instead, consistent with existing cost allocation rules, the Commission should rely on Part 32 accounts and their subsidiary records. Specifically, existing subsidiary records created in response to Commission requirements

⁹ For example, Section 69.306(e) already provides that central office equipment is apportioned in "the same proportions as C&WF." This means that if the video dialtone C&WF identified through Part 36 is routed to the video dialtone category, the circuit equipment will follow automatically.

¹⁰ See Video Dialtone Reconsideration Order, ¶ 34.

¹¹ See Third Notice, ¶ 40.

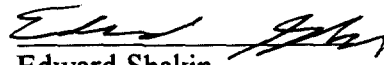
isolate dedicated video dialtone investment. These records could serve as the appropriate information base to calculate a threshold as suggested by the Commission.

CONCLUSION

The Commission's decision to require a separate basket for video dialtone costs can be implemented without significant disruption of the Commission's existing cost allocation rules. At this juncture, limited amendment of the rules is both pragmatic and consistent with Commission policy as set forth in the Video Dialtone Reconsideration order.

Respectfully submitted,

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APPENDIX -- PROPOSED RULE CHANGES

PART 69 CHANGES REQUIRED FOR VIDEO DIALTONE

SUBPART A

- 69.2 add: (ww) **video dialtone** is a service whereby telephone companies transport video programming to end-users on a common carrier basis.
- 69.4(b) add: **10 Video Dialtone Facilities**
- 69.5 add: (e) **Video dialtone charges shall be assessed upon all video information providers and/or end users for the provision of interstate video dialtone service.**

SUBPART B

Add: 69.130 Video Dialtone charges -- Regulated interstate video dialtone shall consist of rate elements adequate to recover costs of the individual technology deployed. Such elements may include, but are not limited to, some or all of the following: a fixed charge, a mileage charge, a minutes of use charge, an end user subscriber connection charge, a per-end user subscriber charge, a per-potential end user subscriber charge, a channel (or other capacity) charge, and a non-recurring charge.

SUBPART D

- 69.301(a)...69.2 (z) shall be apportioned among the interexchange category, the billing and collection category, **video dialtone category**, and the access elements as provided in this subpart.
- 69.305 add: (d) **C&WF that is used to transport video dialtone service shall be assigned to the Video Dialtone element. [Move existing 69.305 (d) to (e) with the following change: All Carrier C&WF that is not apportioned pursuant to paragraphs (a), (b), (c), and (d) of this section shall be assigned to the Special Access element.]**
- 69.306 (e) **COE Category 4 (Circuit Equipment) shall be apportioned among the interexchange category, the video dialtone category and the Common Line, Limited Pay Telephone, Transport, Special Access elements. COE Category 4 shall be apportioned in the same proportions as the associated Cable and Wire Facilities.**

- 69.307 (c) All other **General Support Facilities** investment shall be apportioned among the interexchange category, the billing and collection category, **the video dialtone category** and the Common Line, Limited Pay Telephone, Local Switching, Information, Transport, and Special Access elements on the basis of central Office Equipment, Information Origination/Termination Equipment, and Cable and Wire Facilities, combined.
- 69.309 Investment that is not apportioned pursuant to 69.302 through 69.308 shall be apportioned among the interexchange category, the billing and collection category, **the video dialtone category** and access elements in the same proportions as the combined investment that is apportioned pursuant to 69.303 through 69.308.
- 69.310 Capital Leases in Account 2680 shall be directly assigned to the appropriate interexchange category, **video dialtone category** or access elements consistent with the treatment prescribed for similar plant costs or shall be apportioned in the same manner as Account 2001.

SUBPART E

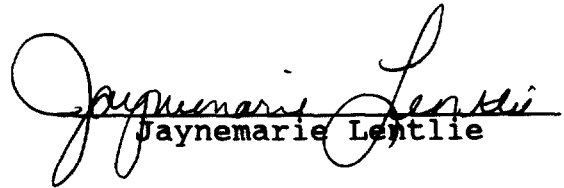
- 69.401
 - (a) Plant Specific Operations Expenses in Accounts 6110 and 6120 shall be apportioned among the interexchange category, the billing and collection category, **the video dialtone category** and appropriate access elements on the following basis:
 - (b) Plant Specific Operations Expenses in Accounts 6210, 6220 and 6230 shall be apportioned among the interexchange category, **video dialtone category** and access elements on the basis of the apportionment of the total COE investment.
 - (c) Plant Specific Operations Expenses in Accounts 6310 and 6410 shall be assigned to the appropriate investment category and shall be apportioned among the interexchange category, **video dialtone category** and access elements in the same proportions as the total associated investment.
 - (d) Plant Non Specific Operations Expenses in Accounts 6510 and 6530 shall be apportioned among the interexchange category, the billing and collection category, **video dialtone category** and access elements in the same proportions as the combined investment in COE, IOT, and C&WF apportioned in each element and category.
 - (f) Plant Non Specific Operations Expenses in Account 6560 shall be apportioned among the interexchange category, the billing and collection category, **video**

dialtone category and access elements in the same proportion as the associated investment.

- 69.402
 - (a) . . . taxes that are collected in lieu of a corporate income tax shall be apportioned among the interexchange category, the billing and collection category, **the video dialtone category**, and all access elements based on the approximately net taxable income on which the tax is levied . . .
 - (b) All other operating taxes shall be apportioned among the interexchange category, the billing and collection category, **the video dialtone category**, and all access elements in the same manner as . . .
- 69.403 Marketing expense shall be apportioned among the interexchange category, **video dialtone category** and all access elements in the same proportions as the combined investment that is apportioned pursuant to 69.309.
- 69.406(a)(6) 69.406(a)(6) Interexchange carrier or **video information provider** service order processing, payment and collection, and billing inquiry attributable to private lines, special access **and, video dialtone** shall be assigned to the Special Access element **and the video dialtone category in the same proportion as the combined investment in COE and C&WF apportioned to the special access and video dialtone categories.**
- 69.407(b) Revenue Accounting Expenses that are attributable to carrier's carrier access or **video information provider video dialtone service** billing and collection expense shall be apportioned among all carrier's carrier access elements **and the video dialtone category** except the Common Line element. Such expenses shall be apportioned in the same proportion as the combined investment in COE, C&WF and IOT apportioned to those elements.
- 69.408 All Other customer services expenses shall be apportioned among the Interexchange category, the billing and collection category, **the video dialtone category** and all access elements based on the combined expenses in 69.404 through 46.407.
- 69.409 All Corporate operations expenses shall be apportioned among the interexchange category, the billing and collection category, **video dialtone category** and all the access elements in accordance with the Big 3 Expense Factor as defined in 69.2(f).
- 69.411 Except as provided 69.412, 69.413, and 69.414, expenses that are apportioned pursuant to 69.401 through 69.410 shall be apportioned among the interexchange category, **the video dialtone category** and all access elements in the same manner as 69.309 Other Investment.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing "Bell Atlantic Comments" was served this 27th day of October, 1995 by first class mail, postage prepaid, on the parties on the attached list.


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